



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building ? P.O. Box 201711 ? Helena, MT 59620-1711 ? (406) 444-2986 ? FAX (406) 444-3036

Legislative Fiscal Analyst
CLAYTON SCHENCK

November 14, 2001

TO: Legislative Finance Committee

FROM: Pamela D. Joehler, Senior Fiscal Analyst

RE: Public Postsecondary Education Policy Goals and Accountability Measures
Project Proposal

PURPOSE OF REPORT

The purpose of this report is to propose an interim project to the Legislative Finance Committee and to determine the committee's interest in pursuing the project.

DESCRIPTION OF PROPOSED PROJECT

Staff proposes that the Legislative Finance Committee, in collaboration with the Board of Regents and the Executive Branch, develop for recommendation to the 58th Legislature:

1. A clear statement of statewide policy goals for public postsecondary education in Montana.
2. Meaningful performance criteria and standards for the Montana University System that measure the attainment of statewide policy goals.

WHAT ARE THE ISSUES BEHIND THIS PROPOSAL?

Issue 1: Constitutional Roles

The constitutional roles of the legislature and the Board of Regents have fostered a communication chasm between the legislature and the Board of Regents regarding statewide policy goals for public postsecondary education and related funding issues.

The Montana Constitution grants the legislature power to enact laws and appropriate money. Inherent in this power is the role to establish statewide public policy for state government functions and determine statewide funding priorities. However, the Montana Constitution also grants the power to govern and control the Montana University System to the Board of Regents. This governance role includes establishing Montana University System policy and determining how university funds are allocated and used.

The issue here is a long-standing tug-of-war over how much money is “enough” for the Montana University System (legislative power to appropriate) and how the money gets used (Board of Regents power to set policy). The legislature determines how much money it appropriates to the Montana University System, but the Board of Regents controls how the university system funds are used and allocated.

While the framers of Montana’s Constitution must have envisioned there could be a constructive convergence of public policy debate and funding decisions for public postsecondary education, recent practice has revealed a different scenario. There is no on-going, visible, public policy debate of public postsecondary education goals among the legislature, the Board of Regents, the Executive Branch, and the public. State appropriations to the Montana University System constitute a significant portion of the state’s general fund budget, yet the linkage between policy goals and funding requirements is often unclear.

Issue 2: Appropriation Policy Incomplete

In 1995, the legislature adopted the current “lump sum” appropriation policy for the educational units of the Montana University System and most of the Office of the Commissioner of Higher Education to allow more budget management flexibility and, as a result, enable the Board of Regents to manage the Montana University System as a system. The Postsecondary Education Study Committee originally proposed this appropriation policy for the Montana University System to the 1991 legislature. An important component of that recommendation was to require a higher degree of accountability from the MUS in the form of long-range plans, clearly articulated annual goals, annual progress reports, and an outcome assessment program¹. Although debated and discussed by interim legislative committees and the Board of Regents for the last several years, no systematic performance reporting to the legislature has been developed or implemented, and the legislature remains unable to gauge the effectiveness of its investment in postsecondary education.

WHAT’S IN IT FOR THE LEGISLATURE?

There are several potential benefits for the legislature from undertaking this project and from establishing policy goals and meaningful accountability standards for the MUS.

Clear Expectations

The first benefit for the legislature would be that its expectations for how the Montana University System can best serve Montanans would be articulated. In addition, accountability requirements are more successful when expectations are clearly communicated.

Improved Understanding

A second benefit for the legislature would be to improve its relationship with, and understanding of, the Montana University System. Discussion of statewide policy goals for the Montana University System, in collaboration with the Board of Regents and the Executive Branch, would

¹ “Summary of Recommendations Postsecondary Education Study Committee”, October 12, 1990, Office of the Legislative Fiscal Analyst, p.9.

require a deeper understanding and thoughtful deliberation of what the people of Montana need and expect from its postsecondary education institutions and how the Montana University System can meet those needs and expectations.

Investment Evaluation Tool

If the Legislative Finance Committee recommends an accountability mechanism that is ultimately adopted by the 58th Legislature, a third benefit for the legislature would be a tool to evaluate the state's investment in public postsecondary education. This would be a significant advancement over the information currently available, which are primarily input/output measures (total state funds appropriated, total student full-time equivalents).

Potential Budgeting Tool

Depending upon how the legislature wants to use accountability measures, they could be used during the budget allocation process (i.e. incentive funding to pursue statewide postsecondary education policy goals).

Improved Strategic Position

Currently, the legislature is in the position of appropriating a large sum of state funds without the full knowledge of what statewide policy goals are being pursued, how the funds will be used to achieve any statewide policy goals, and, with few exceptions, without the authority to direct the Board of Regents to manage the funds in any way. This proposed project is not intended to challenge or change the constitutional powers granted to the Board of Regents and the legislature. However, accomplishing the stated objectives should put the legislature in a better position to evaluate the effectiveness of the Montana University System in meeting statewide policy goals and future funding requests.

WHAT EFFORT WOULD BE REQUIRED TO SUCCESSFULLY COMPLETE THIS PROJECT?

There will be substantial effort required by the Legislative Finance Committee, the Board of Regents, the Executive Branch, and their respective staffs, to successfully complete this project. The following paragraphs summarize the minimum effort required for this project:

1. Clarify and mutually agree to the roles and responsibilities of stakeholders during the project. Staff recommends a subcommittee of the Legislative Finance Committee be formed, along with representatives of the Board of Regents and the Executive Branch.
2. Identify and evaluate statewide policy goal options via collaborative input from the Executive Branch, Board of Regents, and Legislative Finance Committee.
3. Identify and evaluate accountability mechanisms via collaborative input from the Executive Branch, Board of Regents, and Legislative Finance Committee.
4. Consider conducting public hearings on proposed statewide policy goals and accountability mechanisms to solicit public input and support.
5. Educate other legislators.
6. Draft, review, introduce, and pass legislation (public policy statement).

7. Incorporate statewide policy goals into decision-making process of the House Appropriations Committee and Senate Finance Committee.
8. Identify and incorporate accountability/performance standards in resource allocation discussions (budgeting).
9. Major LFD staff commitment for remainder of interim – estimated 90 percent of available staff time.

WHAT ARE THE PITFALLS OF UNDERTAKING THIS PROJECT?

This is not the first time a legislative committee has attempted to identify policy goals and/or accountability mechanisms for the Montana University System. Below is a collection of thoughts of “what went wrong” with previous attempts. Options to potentially avoid repeating previous mistakes are noted in italics. (Note: This should be considered a partial list, as there are likely other reasons why previous attempts failed.)

1. Trying to accomplish too much, too fast. *Option – Consider addressing statewide policy goals only this biennium and take up performance standards in the 2005 biennium.*
2. Failure to identify meaningful performance criteria. *Option – Clarify policy goals first. Then identify criteria that will enable the legislature to determine the extent to which policy goals have been achieved.*
3. Confusion as to ‘who is responsible for doing what’. *Option – Clarify roles and responsibilities at the beginning of the project.*
4. Failure to relate performance standards to budget allocations. *Options – Determine how performance information will be used. Information only? Or, tied to state appropriations? Identify best practices used in other states. Start small, conduct a pilot project.*
5. Failure to garner buy-in from appropriate decision makers. *Option – Identify critical decision makers and start recruiting their support early in the process.*
6. Fear or suspicion by some that articulating statewide policy goals for education will automatically result in increased appropriations to the Montana University System or that the goals will be used to request increased funding for the Montana University System. *Options – Institute performance requirements for significant funding increases. Emphasize benefits derived from developing statewide policy goals for postsecondary education. Include concerned parties in the project so their objections can be heard and addressed early in the process.*

ANTICIPATED PROJECT SCHEDULE

- ~~✍~~ March 2002 – Develop policy options
- ~~✍~~ June 2002 – Identify statewide policy goals, develop accountability options
- ~~✍~~ October 2002 – Identify accountability requirements
- ~~✍~~ November 2002 – Draft legislation incorporating policy goals and accountability requirements
- ~~✍~~ January 2003 – Introduce legislation

COMMITTEE DECISION

- Option 1: No, thanks. We like things just the way they are.
- Option 2: OK, we'll tackle it, but only the statewide policy goals. We'll consider working on accountability mechanisms next biennium.
- Option 3: We've danced around this issue long enough. Let's address both ideas and get the job done.
- Option 4: Great idea, but we're overloaded! Would the PEPB be interested in doing any of this?

S:\Legislative_Fiscal_Division\LFD_Finance_Committee\LFC_Reports\2001\07_December\Education_Policy_Goals.doc